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Gary A Patterson

May 6, 2014

Re: Application of Palmetto Wastewater Reclamation, LLC;
Docket No. 2014-69-S

Ni America
10913 Metronome
Houston, Texas 77043
(713) 574-5952

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PSC SC
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Thank you for your letter, dated April 30, 2014 addressing my letter to the Public Service Commission of South Carolina dated April 16, 2014.

Summary Conclusion: PWR claims that rate increases are necessary and that they should be granted. **Response:** What avenue does a customer have to see that wastewater management is conducted properly at a reasonable cost? Are customers to be held responsible for the lack of maintenance and then pay for this management style? Alpine or PWR has a responsibility to maintain the system in a reasonable manner.

It seems to me that the schedule of recovering capital cost expenditures should be spread over a number of years instead of the limited time period PWR are using to recover cost. I am not a business person but it seems I remember from college that capital expenditures are spread over a long time period?

Based on my living in this neighborhood for over 12 years, I see no replacement of underground pipes of any magnitude and since PWR reports the large expenditures I can assume correctly that the expenses is at the plant level. For example, other public utilities build plants but recover that cost over a long time period. Why can PWR not also do this? Instead PWR management practices seem to be spend money and have customers pay PWR back as soon as possible.

If rate increases are given again and again in such short time frames, I will have no other choice but to move somewhere else. I worked for 38 years and I am retired and no one seems to care what increases we have to pay just to survive month to month. I wish I could get increases in my income that amounted to just a fraction of what you are asking for.

Your continued requests for more money is not just an economic issue. I plead with the PSC of South Carolina to deny your request.

Responses to your letter dated April 30, 2014:

PWR acquired the Alpine system in August 2011 and the monthly rate was 16.75 cents.

Response: You failed to state that Alpine had received an increase from \$9.00 to the \$16.75 cents. A fairly large increase do you not think?

The Alpine wastewater treatment plant which showed that it was in need of almost complete refurbishment.

Response: Alpine was granted a rate increase from \$9.00 to \$16.75 and it is not the customers that kept them from making improvements to their system.

PWR's hands were tied in regard to when it had to make repairs and replacements that were truly needed.

Response: PWR made the acquisition with open eyes and it is not the fault of the customer that the Alpine system was not maintained.

In the three years PWR has owned the Alpine system, it has invested more than 7.5 Million to improve it.

Response: PWR made the acquisition with open eyes and it is not the fault of the customer that the Alpine system was not maintained.

...the requested rate is below the average, which is approximately \$36.00 month.

Response: The average cost of wastewater management has nothing to do with the rate you should receive. If this was not the case the job of the PSC would be easier.

Sincerely

A handwritten signature in black ink, appearing to read "Gary A. Patterson". The signature is fluid and cursive, with the first name "Gary" being more prominent.

Gary A Patterson

✓ cc: PSC of South Carolina



April 30, 2014

COPY

Mr. Gary Patterson

RE: Application of Palmetto Wastewater Reclamation, LLC; Docket No. 2014-69-S

Dear Mr. Patterson,

I have received a copy of your April 16, 2014, letter to the Public Service Commission of South Carolina objecting to the proposed rate increase for Palmetto Wastewater Reclamation, LLC ("PWR"). I certainly appreciate your position, but would like to address certain portions of your comments regarding this matter in an effort to make you aware of the pertinent facts.

PWR acquired the Alpine system in August, 2011, and the monthly residential rate at that time was \$16.75. As a long-time resident of the area, I believe that you are aware that the Alpine system was plagued with numerous Sanitary Sewer Overflows (SSOs) and was severely lacking in necessary maintenance and improvements. At the "Town Hall" meeting held with PWR customers on August 14th, 2012, we discussed the need for a rate increase, explained that public utilities are required to meet certain regulatory requirements governing standards of operation and maintenance, and displayed photographs which depicted every manner of manhole and pipe degradation and failure within the Alpine system that was the cause of the SSOs. We also displayed photographs of the Alpine wastewater treatment plant which showed that it was in need of almost complete refurbishment.

As part of the regulatory approval to acquire Alpine Utilities, PWR was required to agree to meet an accelerated timetable of repairs and improvements due to the very real need to stop the SSOs and improper discharges and their impact on the environment. PWR was therefore not in a position to stage capital improvements (and therefore, capital expenditures) over an extended period of time. Therefore, PWR's hands were tied in regard to when it had to make repairs and replacements that were truly needed.

In the three years that PWR has owned the Alpine system, it has invested more than \$7.5 Million to improve it. Our investment and cost in repairing the system was over \$3 million in the first two years and a rate increase was approved by the PSC that brought the monthly residential rate to \$29.00. Since then, another \$4.5 Million in improvements have been made to the Alpine system and rate relief is needed to recover these capital costs. In addition, our expenses of providing service have also increased since the last rate case.

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10913 Metronome • Houston, Texas 77043
(713) 574-5952 • Fax: (713) 647-0277

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Please be assured that PWR is not only working diligently to bring this system into regulatory compliance, it is striving to accomplish this at a fair rate to our customers. Based upon the current rates of other private utilities regulated by the PSC, the requested rate is below the average, which is approximately \$36.00 per month. Also, many of these rates were put into effect over 10-15 years ago. If we consider only the rates approved by the PSC since 2010, the average is over \$45.00 per month. Municipal wastewater rates for residential customers outside the city limits in the Columbia region are an average of slightly over \$56.00 per month.

Regarding the request that the rate schedules for the Alpine and Woodland service areas be consolidated, I would note that this is the long-term plan that was described in the Town Hall meeting in August, 2011. As our rate filing reflects, the proposed increase for Woodland customers will be \$11.50 per month, while the proposed increase for Alpine customers will be \$6.50 per month. This reflects both the more recent improvements to the Woodland system as well as the fact that no increase has been granted for Woodland since 2007. PWR is pleased that it has been able to make substantial improvements to both these systems while keeping the rates well below the average for the area. Consolidating the rate schedules for these systems was certainly not the reason for requesting a rate increase – only increased costs or investment in the system warrant increases. However, we do believe that consolidating the rate schedules is in the public interest as it will reduce the number of rate cases which have to be filed and creates economies of scale that will benefit customers when future rate cases are necessary as further improvements are made.

Please know that this rate request is being sought only to address the improvements and costs that have been incurred since the last rate case. The South Carolina Office of Regulatory Staff will conduct an audit to verify PWR's claimed expenses and investment and make its findings known. The PSC will consider that information and set "just and reasonable" rates for PWR.

I realize that we may differ as to what is considered "reasonable" with regard to rates and fully appreciate that rate increases are not welcomed. Please know, however, that PWR strives to meet the regulatory standards that apply to our facilities and at a cost to our customers that is as low as possible.

If you would like to discuss this further, please do not hesitate to contact me at 979-319-0966.

Respectfully,
Rick Melcher
PWR Public Relations Manager